

MINUTES
LEGISLATIVE RESEARCH COMMISSION (LRC)
ENERGY POLICY ISSUES

COMMITTEE MEETING

April 18, 2012

The Legislative Research Commission Energy Policy Issues Committee met on Wednesday, April 18, 2012 at 1:00 p.m. in Room 544 of the Legislative Office Building, presided over by Senator Bob Rucho, Chair of the committee. Also in attendance were committee members Senators Goolsby, Rabon, Blake, and Walters.

Senator Rucho called the meeting to order and asked for a motion by the committee for the adoption of the Minutes of the March 21, 2012, meeting. Senator Rabon so moved and the motion was adopted unanimously.

Senator Rucho started with opening remarks which are attached along with Energy Talking Points.

The chair recognized the following people to explain and discuss the draft Report to the 2012 General Assembly by the Energy Policy Issues Committee:

1. Jeffrey Hudson, committee counsel, was recognized to explain the draft report prepared by the Legislative Research Commission's Committee on Energy Policy Issues. His comments are attached.
2. Mr. Hudson was recognized to explain the Joint Resolution Legislative Proposal. His comments are attached. Senator Rucho asked for comments or questions from the committee. There were none. Senator Rucho asked for any actions or amendments.

Senator Blake was recognized and offered an amendment to the draft Joint Resolution and asked Jeffrey Hudson to explain the amendment. Mr. Hudson's explanation of the amendment is attached.

Senator Rucho asked for any further discussion on the amendment. Senator Blake moved for adoption of the amendment. The motion carried. Senator Rucho asked for further discussion on the amendment. Senator Rabon moved for a favorable report of the Joint Resolution as amended. The motion carried.

3. Jeffrey Hudson, Jennifer McGinnis, and Jennifer Mundt were recognized to explain The Energy Expansion Act. See attached explanations.

The chair thanked the staff for a good job in putting the bill together; stating the complexity and the due diligence in making sure that

everything we do was to the best of our ability and would be a benefit to the people of the state and also allow us to create some great jobs for our people.

Senator Rucho recognized Representative Hager and Dr. Jeff Warren who he stated had done a yeoman's job in providing leadership in trying to make North Carolina self-sufficient in energy. All three, he stated, met with the Governor to discuss a number of issues around SB709 and the Governor's concerns. We tried to accommodate her concerns so that we could go ahead and move forward in a bi-partisan manner to accomplish what would be in the best interest of this state for the next 50 years. We are trying to work together with the Governor, and again, as I mentioned to you earlier, we will brief her on the guts of this bill, in person, when we can discuss point-by-point all that is going on.

The committee was asked for any comments.

Senator Rabon was recognized and offered an amendment to The Energy Expansion Act. Ms. McGinnis was recognized to explain the amendment. See her comments attached.

Senator Rabon moved for a favorable report of The Energy Expansion Act as amended. The motion carried.

Chairman Rucho stated that before moving on to the last phase, it was very important to understand that these recommendations are going to be made to the General Assembly in the Short Session and it will go through the appropriate committees. There will be a lot of additional changes; I am sure, in regard to ensuring the safety of the environment and safety of our state assets and resources. It is the first step in the direction to implement the DENR report as far as specifically dealing with shale. The other two areas are included in the report.

4. The chair then recognized Jeff Hudson to explain the Energy Crop Pilot Project/Tax Credit draft proposal to the committee. See attached.

Senator Goolsby was recognized to offer an amendment and asked staff to please explain the amendment. Jeffrey Hudson's explanation is attached as well as comments by Senator Goolsby.

Senator Rucho asked for a vote on Senator Goolsby's amendment to the Energy Crop Pilot Project/Tax Credit proposal. The amendment passed.

The chair asked for any comments, thoughts, or suggestions. He stated his appreciation for their willingness to participate in this work.

Senator Blake was recognized for a question to staff. When I was hearing this report briefly given, I heard the word moratorium until 2014. What was that?

Senator Rucho asked if he was addressing the issue dealing with the

shell gas exploration.

Jennifer McGinnis stated the bill, of course, directs the Oil and Gas Board, newly created under the provision, to promulgate rules and those would be required to be adopted by December 2013. The provisions holds, the current rules that are in place in advance the department would not be permitted to enforce those rules; so basically, there is a moratorium on any permitting related to hydraulic fracturing until July 2014.

Senator Blake: Does that create any slowdown for us to move forward to do what we should be doing?

Senator Rucho: What it does, if I may, Senator Blake it provides basically a two-year period of time, this is a very complex issue, it requires a lot of study and review and during that period of time they go step-by-step through the entire process of shale gas exploration and development, doing the proper due diligence and every step to make sure we have the best business practice; and at the very end when the rules and regulations are completed, state of the art, something we can be proud of comparing anybody else in this country, then at that point, somewhere around July 2014, the legislature will take on this issue and decide to lift the moratorium once everything is in place.

The chairman called for a vote on Senator Goolsby's amendment to the Energy Crop Pilot Project/Tax Credit proposal. The amendment passed.

5. The chair asked for a motion to adopt the entire report with all aspects of it (Energy Policy Issues Committee Report to the 2012 Session of the 2011 General Assembly). Senator Goolsby moved for adoption of the report as amended. The motion carried.

The Report of the LRC Committee on Energy Policy Issues that was adopted by the Committee at its April 18, 2012, meeting is included at the end of this report. (The adoption includes the three amendments discussed above.)

Senator Rucho acknowledged the members of the committee and the staff for their tremendous job in helping move the DENR Report forward.

The chair continued, Speaker Tillis and Speaker Pro Tempore Berger have a master plan for this state in trying to retool and energize our North Carolina economy. It has been hurt significantly over the years with the loss of textile, tobacco, and furniture and a number of our manufacturing businesses. In part of a vibrant economy as we are proceeding, and I think you will see that this one issue we are discussing today is one step, but when you take into consideration all the components being education which we are making steps in reforming, regulatory reform which we have done, we are talking about transportation reform with Senator Rabon and Senator Harrington have worked hard on along with House members, we are talking about energy sustainability which we have

made a step forward here today along with getting the passage of SB709, the Energy Jobs Act. And then last would be tax modernization and simplification. All of these are critical components to what the master plan is to move North Carolina into the 21st century global economy. These are great steps and I will tell you, this is tremendous that we are able to move forward.

Members of the committee, this is our last meeting. Any additional comments?

Senator Goolsby was recognized for comments and they are attached.

Senator Rucho adjourned the meeting at 1:50 p.m.

Respectfully submitted,

Senator Bob Rucho, Chair

Helen Long, Committee Clerk